

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The First Commercial Bank, Chicago, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **March 31, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated **Satisfactory**.

The First Commercial Bank promotes economic revitalization and growth consistent with its size, financial capacity, locations and current economic conditions. The bank's loan-to-deposit ratio is reasonable, and the level of lending within the assessment area and the dispersion of loans among borrowers of different income levels and businesses of different sizes is strong. The geographic distribution of loans is reasonable. No prohibited discriminatory lending policies or practices were detected during the examination. No complaints were received by the institution regarding its CRA performance since the previous examination.

**DESCRIPTION OF INSTITUTION**

The First Commercial Bank (TFCB), with total assets of \$146 million as of December 31, 1996, is a subsidiary of Firstcom Bancorp, Inc., a one-bank holding company located in Chicago, Illinois. The main office is located at 6945 North Clark, the branch facility is at 2201 West Howard and one drive-up facility is at 6930 North Clark. The bank opened a new branch facility at 3200 West Touhy Avenue in August of 1996. Lending files and loan operations are centralized at the main office; the Touhy location is the only other office from which applications are available. With the exception of the main bank, there is an on-premise automated teller machine (ATM) at each bank facility.

The bank's primary business focus is commercial banking, with commercial-related loans being its predominant product; a significant portion of the loan portfolio consists of indirect consumer loans. Based upon information contained in the December 31, 1996 Consolidated Report of Condition, commercial and multi-family loans comprised approximately 75% or \$59,250,000 of the bank's loan portfolio. The bank participates in a Small Business Administration (SBA) special business incentive loan program called MicroLoan Program.

The bank's competitors include Devon Bank (Chicago), Peterson Bank (Chicago), Bank of Bellwood (Bellwood), Uptown National Bank of Chicago (Chicago), Evanston Bank (Evanston), First Bank & Trust of Evanston (Evanston), Bank of Lincolnwood (Lincolnwood) and First National Bank of Lincolnwood (Lincolnwood). Competition is also provided by other banks, branches and credit unions located throughout Cook County.

**DESCRIPTION OF BANK'S ASSESSMENT AREA**

The bank is located in Cook County, Illinois within the Rogers Park neighborhood of Chicago. Rogers Park, which has a diverse ethnic population mix, is located approximately 8.5 miles northeast of the Chicago Loop. The bank expanded its assessment area during 1996 to include the entire Cook County in the Chicago Metropolitan Statistical Area (MSA) - 1600. This expansion increased the number of census tracts from 81 to 1,352. Management stated that the expansion was made to include all the tracts in which the bank had ~~indirect~~ lending activity. Of the total census tracts within the bank's assessment area, 295 (21.8%) are low-income; 340 (25.1%) are moderate-income; 481 (35.6%) are middle-income, and 236 (17.5%) are upper-income tracts.

According to the 1990 census data, the bank's assessment area has a population of 5,105,067 which represents 68.89% of the total MSA population (7,410,858). The racial makeup of the population in the assessment area is as follows: Whites - 2,928,290 or 57.4%; Blacks - 1,302,746 or 25.5%; individuals of Hispanic descent - 677,949 or 13.3%, and Asians - 183,011 or 3.6%. All other minorities account for a very small percentage of the assessment area's total population.

According to information obtained from a representative of the Illinois Department of Labor, the unemployment rate for Cook County as of February 19, 1997, was estimated at 5.4%, while the State of Illinois and the City of Chicago had estimated unemployment rates of 5.5% and 6.3%, respectively. According to officials in the Edgewater and Uptown communities, employment opportunities in these areas require high skill levels, which makes it difficult for many of the local residents to qualify. The bank and its branch offices are surrounded by numerous retail service type small businesses.

According to the 1990 census data, rental units and single family dwellings in the assessment area total 836,695 and 862,291, respectively. There are a total of 2,021,833 housing units within the bank's assessment area, of which 1,042,793 or 51.6% are owner-occupied and 142,345 or 7% are vacant units. One-to-four family homes account for the majority (1,319,304 or 65.25%) of the assessment area's housing, while multifamily and mobile homes comprise 668,770 or (33.1%) and 15,537 or (0.8%), respectively of the total housing. The median age of homes in the bank's assessment area is 40 years and the median housing value is \$100,872. According to comments received from a community organization, a significant percentage of the population is homeless.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

### Loan-to-Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition for the six quarters preceding the examination revealed an average loan-to-deposit (LTD) ratio of 60.15%. The following chart shows the bank's ratios over the six quarters:

THE FIRST COMMERCIAL BANK			
Date	Deposits (\$000)	Loans (\$000)	LTD Ratios
12/31/96	\$132,972	\$78,936	59.36%
9/30/96	\$124,867	\$76,399	61.18%
6/30/96	\$121,007	\$71,917	59.43%
3/31/96	\$118,073	\$69,697	59.03%
12/31/95	\$115,539	\$68,989	59.71%
9/30/95	\$108,589	\$67,519	62.18%
<b>Averages</b>	<b>\$120,175</b>	<b>\$72,243</b>	<b>60.15%</b>

According to data in the preceding chart, the bank's deposits and loans increased each quarter; however, its LTD ratio showed no significant variance from one quarter to the next.

The following chart shows the bank's competitors' LTD ratios as of December 31, 1996:

<b>COMPETITOR ANALYSIS</b>		
<b>Name</b>	<b>LTD Ratio</b>	<b>Assets (\$000)</b>
Devon Bank	64.87%	\$231,741
Bank of Bellwood	63.79%	\$51,566
Uptown National Bank of Chicago	64.41%	\$173,791
Evanston Bank	71.09%	\$87,440
First Bank & Trust of Evanston	66.99%	\$55,611
The First National Bank of Lincolnwood	43.02%	\$198,785

The LTD ratios of the local competitors of similar asset sizes are generally comparable with the bank's LTD ratio of 59.36%, as of December 31, 1996. According to the December 31, 1996 Uniform Bank Performance Report (UBPR), the bank's LTD ratio is 57.62%, which is 13.03% lower than the national peer group ratio of 70.65%. Despite the 13% difference, when compared to the local competitors, the bank's LTD ratio is considered reasonable and meets the standards for satisfactory performance.

### **Lending in Assessment Area**

Analysis of the examination and CRA loan samples revealed the following distribution:

<b>LOAN TYPE</b>	<b>TOTAL NUMBER OF LOANS SAMPLED</b>	<b>NUMBER OF LOANS WITHIN THE ASSESSMENT AREA</b>	<b>PERCENT OF TOTAL</b>
Real Estate	5	5	100%
Installment (Indirect)	134*	115	86%
Single-Payment	10	10	100%
Home Equity (Open-End)	11	11	100%
Commercial Real Estate	60	58	97%
<b>Total Loans</b>	<b>220</b>	<b>199</b>	<b>90%</b>

\*Includes the examination (23) and six-month CRA (111) loan samples.

The preceding chart illustrates that a high percentage of sampled loans, by product and in aggregate, were made within the assessment area.

Review of the bank's analysis of its commercial lending activity since the previous examination revealed that 84% (303 of 362) of loans were made within the assessment area. The level of lending within the assessment area, as supported by the bank's self-analysis, and the examination and CRA six-month loan samples, exceeds the standards for satisfactory performance.

### **Lending Analysis Based Upon Borrower Income and Size of Business**

An analysis of the examination and CRA loan samples revealed the following distribution of loans among borrowers of different income levels:

<b>LOAN TYPE</b>	<b>LOW-INCOME BORROWERS Number/\$000s</b>	<b>MODERATE- INCOME BORROWERS Number/\$000s</b>	<b>MIDDLE- INCOME BORROWERS Number/\$000s</b>	<b>UPPER-INCOME BORROWERS Number/\$000s</b>
Real Estate	0/ \$0	1/ \$45	1/ \$54	3/ \$280
Single-Payment *	0/ \$0	0/ \$0	1/ \$8	6/ \$180
Home Equity (open-end)	0/ \$0	0/ \$0	2/ \$45	9/ \$906
Installment (Direct/Indirect)	33/ \$349	51/ \$746	31/ \$465	19/ \$296
Total	33/ \$349	52/ \$791	35/ \$572	37/ \$1,662

\* 3 of the 10 applications sampled did not have income information.

The preceding chart indicates that with the exception of one real estate loan to a moderate-income borrower, lending to low- and moderate-income borrowers was limited to installment loans. This is not a concern at this time given an affordability ratio for housing loans of approximately 0.389 (median family income of \$39,296 divided by median housing value of \$100,872 ) for the assessment area. The affordability ratio represents the amount of single-family, owner-occupied housing that a dollar of income can purchase for the median household in the assessment area; values close to 1 indicate greater affordability. Further, management has recognized the fact that installment lending is a greater credit need within the low- and moderate-income segments of the assessment area and is trying to meet this need through direct and indirect installment lending. Of the installment loans reviewed, 62.7% of the number (84 of 134) and 59% of the dollar amount (\$1,095,000 of \$1,856,000) were to low- and moderate-income borrowers.

An eight-month sample of commercial real estate loans was also reviewed. All loans in the sample were in amounts less than \$1 million and primarily to small business owners. The sample

was comprised of 63 commercial loans (totaling approximately \$3.8 million). The loan amounts ranged from \$1,800 to \$276,500. As the range of loan amounts suggests, the commercial lending activity has been focused on small businesses. With the exception of six, all commercial credit files sampled revealed that the businesses had gross revenues of less than \$1 million.

Additionally, the bank has a Neighborhood Rehabilitation Loan program targeted toward the improvement of multi-family, mixed use and commercial properties within the assessment area. Since the previous examination, the bank has provided financing totaling approximately \$5,829,000 for these types of projects. The following chart indicates how the bank has met area needs through its targeted loans to benefit low- and moderate-income areas and individuals:

COMMUNITY DEVELOPMENT LOANS		
Loan Amount (\$000s)	Purpose	Income Level of Geography
75	6 Flat (store/apartment)	low
345	Mixed-use	moderate
360	13 unit apartment	moderate
205	Mixed-use	moderate
725	42 unit apartment	moderate
100	Mixed-use	moderate
122.5	Mixed-use (grocery)	moderate
85	Condominiums	low
801.5	40 unit apartment	moderate
165	6 Flat	moderate
472	Restaurant	middle
375	Condominiums	moderate
29.5	Town home	moderate
321	12 Town homes	low
135	Mixed-use	moderate

A review of the bank's 1995 and 1996 Consolidated Reports of Condition (as of June 30) revealed the following loan distribution to small businesses:

Loan Amount Category (\$000s)	1996			1995		
	#	(\$000s)	%	#	(\$000s)	%
<b>Small Business</b>						
\$100 or less	121	2,825	85.82%	9	279	45.00%
\$100 - \$250	11	1,892	7.80%	8	1,448	40.00%
\$250 - \$1 million	9	2,133	6.38%	3	854	15.00%
TOTAL	141	6,850		20	2,581	
<b>Commercial Real Estate</b>						
\$100 or less	0	0	0.00%	0	0	0.00%
\$100 - \$250	4	748	44.44%	2	294	28.57%
\$250 - \$1 million	5	3,402	55.56%	5	2,909	71.43%
TOTAL	9	4,150		7	3,203	

The preceding chart illustrates that the loan volume and dollar outstanding for small business (\$100,000 or less) increased from 1995 to 1996. Management attributed some of the increase to aggressive campaigns to promote the financing of investments within the community. Management also attributed some of the small business loan growth to refinancing of existing debt.

The bank participates with 24 local financial institutions in the SBA MicroLoan program. Since the previous examination, the bank has shared in the financing of 19 loans; the bank's portion was \$35,398 of the total \$198,000.

The bank also participates in the City Treasurer's Linked Deposit Program which has led to increased lending to targeted small businesses. This program helps small businesses by providing loans to finance working capital, inventory and business expansion. During 1996, the bank originated 61 small business loans totaling \$2,764,720.

Overall loan distribution reflects strong penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, and is consistent with the assessment area's demographics. The bank's performance exceeds the standards for satisfactory performance for this category.

### Geographic Distribution of Loans

Of the 1,352 census tracts in the assessment area, the bank had lending activity in only 203 census tracts. The majority of the loans were in those census tracts that are closest to the bank's offices. The following chart illustrates the bank's lending activity for its primary loan products during the six-month period.

	CENSUS TRACT INCOME LEVELS			
LOAN TYPE	LOW-INCOME Number/\$000s	MODERATE INCOME Number/\$000s	MIDDLE INCOME Number/\$000s	UPPER-INCOME Number/\$000s
Installment (indirect)	23/ \$303	33/ \$656	55/ \$725	23/ \$318
Commercial	1/ \$50	17/ \$738	29/ \$1,758	22/ \$1,611
Total	24/ \$353	50/ \$1,394	84/ \$2,483	45/ \$1,929

As illustrated in the preceding chart, 36.5% of the loans reviewed during the examination were to low- and moderate-income borrowers; however, these loans were almost exclusively within the northern portion of the assessment area. However, the bank's analysis of indirect instalment loans originated since the previous examination revealed reasonable loan penetration throughout the assessment area, including the southern portions.

Given the bank's overall lending distribution and the locations of its lending offices, the bank meets the requirements for satisfactory performance in this category.

### Response to Complaints

The institution received no complaints regarding its CRA performance since the previous examination.